

ORIGINAL



0000114548

BEFORE THE ARIZONA CORPORATION COMMISSION
RECEIVED

COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2010 JUL 16 P 3:42

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS ANTHEM
WATER DISTRICT AND ITS SUN CITY
WATER DISTRICT.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission
DOCKETED

JUL 16 2010

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, ITS SUN CITY WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

STAFF'S INITIAL POST-HEARING BRIEF

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files its initial post-hearing brief in the above-captioned matter. In this brief, Staff will address the major disputed issues. On any issue not specifically addressed in this brief, Staff maintains its position as represented in its testimony.

I. INTRODUCTION.

The Arizona-American Water Company ("Arizona-American" or the "Company") is the largest, investor-owned water/wastewater utility in the State of Arizona providing water and wastewater service to approximately 131,000 customers. It is a wholly owned subsidiary of American Water.¹ Arizona-American operates thirteen water and wastewater districts. In July 2009,

¹ Townsley Direct (Ex. A-3) at 1.

1 Arizona-American filed for rate increases for five of its districts: Anthem Water District, Sun City
2 Water District, Anthem/Agua Fria Wastewater District, Sun City West Wastewater District and for
3 possible rate consolidation for all of Arizona-American's districts.

4 Company President Paul Townsley testified that the Company's financial position is poor and
5 that Arizona-American has lost over \$31 million since American Water purchased the water and
6 wastewater assets of Citizens Utilities in 2002.² According to Mr. Townsley, Arizona-American
7 experienced a net loss of \$1.8 million in 2008.³ The Company also proposed that the Commission
8 consider state-wide rate consolidation, citing among other considerations, improved rate case
9 efficiency, improved ability to make needed capital investments in smaller districts and a desire to
10 bring the tariff structure of water and wastewater utilities more in line with those of other regulated
11 utilities in Arizona.⁴

12 Staff and the Company have been able to resolve many of their major areas of disagreement.
13 For instance, the Company in its application, using a 2008 test year, requested an overall revenue
14 increase of \$20,628,634. The Company requested a cost of equity of 12.25 percent, with its cost of
15 capital of 8.5 percent. While Cost of Capital is usually one of the more contested issues in rate
16 proceedings, the Company accepted the Staff's recommended cost of capital of 7.20 percent and
17 return on equity of 10.70 percent, which contributed to the reduction of the revenue requirement of
18 almost \$3.6 million, resulting in an overall revenue requirement of \$16,583,067.

19 There are still some very significant issues that have been raised in this proceeding where
20 disagreement exists between the parties. These issues include: the treatment of the Anthem developer
21 refunds, the requested Infrastructure System Improvement Surcharge for the Sun City Water District,
22 and the proposed rate design consolidation.

23 **II. SUMMARY OF STAFF'S REVENUE REQUIREMENT RECOMMENDATIONS.**

24 Staff recommends a 10.7 percent⁵ cost of equity and a rate of return of 7.20 percent.⁶ Staff's
25 recommendation for an overall revenue increase is \$16,003,384. Staff's recommended capital

26 ² Townsley Direct (Ex. A-3) at 3.

27 ³ *Id.*

⁴ *Id.* at 14.

28 ⁵ Manique Direct (Ex. S-3) at 48.

⁶ *Id.* at 10.

structure consists of 38.86 percent equity and 61.14 percent debt, which includes short-term debt.⁷ Staff's final revenue requirement recommendation, with a comparison of the Company's final position, for each system is as follows:

District	Company Final Revenue	Company Final Revenue Increase	Company Percentage	Staff Final Revenue	Staff Final Revenue Increase	Staff Percentage
Anthem Water	13,455,431	5,962,687	82.40	13,420,925	5,928,181	79.12
Sun City Water	11,166,039	1,877,910	20.57	11,126,179	1,843,078	19.85
Anthem/Aqua Fria Wastewater	13,926,904	5,292,887	61.30	13,668,321	5,031,198	58.25
Sun City Wastewater	7,884,466	1,965,520	33.19	7,665,720	1,725,339	29.04
Sun City West Wastewater	7,163,903	1,500,223	26.50	7,137,298	1,475,588	26.06

III. RATE BASE ISSUES.

Staff recommends an original cost rate base for Anthem of \$57,248,934; Sun City Water of \$28,192,680; Anthem/Aqua Fria Wastewater of \$45,115,225; Sun City Wastewater of \$15,488,742; Sun City West of \$18,098,487.⁸ The Company waived a determination of the fair value of its property using a reconstruction cost new valuation. Hence the original cost rate base ("OCRB") and the fair value rate base ("FVRB") are the same for purposes of this application.

A. Cash Working Capital (All Districts).

In preparing its cash working capital, the Company performed a lead lag study.⁹ Staff and the Company disagree on the appropriate number of lag days to be covered by management expenses. The Company, in its direct testimony used 14.77 lag days for management expenses.¹⁰ In its rebuttal, the Company adjusted the days for this expense to 11.25 lead days.¹¹

⁷ Manique Direct (Ex. S-3) at 48.

⁸ Staff Final Schedules; Errata Sun City Water Schedules.

⁹ Gutowski Direct (Ex. A-17) at 3.

¹⁰ *Id.*; Schedule LJG B-5.

¹¹ Gutowski Rebuttal (Ex. A-18) at Exec. Summary IV.

1 Working capital is a collective term that typically includes amounts for prepaid expenses,
2 materials and supplies inventory and cash working capital.¹² The purpose of calculating cash
3 working capital is to quantify the amount of cash that a company needs to operate by analyzing the
4 timing differentials between the period required for revenues to be realized and collected and the
5 periods between the date that an expense is incurred and the date paid. A lead lag study summarizes
6 the differences between the collection of revenues and the payment of expenses and creates a cash
7 working capital amount, which is added to or subtracted from the Company's rate base.¹³

8 The Company uses a shared services model through which certain services are provided to it
9 by an affiliate. Pursuant to the agreement between the Company and the service company affiliate,
10 the Company pays for its share of services a month in advance.¹⁴ Company witness Linda Gutowski
11 testified that the 11.25 lead days is reflective of the Company's actual lead days for payment of
12 management fees and was the same kind of lead days used in the 2008 Working Capital calculation
13 that was approved as part of Decision No. 71410.¹⁵

14 Staff disagrees. Staff witnesses Gerald Becker and Garry McMurry testified that the lead/lag
15 days should not be based on internal agreements made between the Company and its affiliate.¹⁶ Staff
16 is concerned that the use of an internal agreement to calculate lead/lad days may result in a situation
17 where an unregulated affiliate may expect payments even sooner than one month in advance and
18 expect the ratepayers to support this internal circumstance in its cash working capital calculation.¹⁷
19 Further, a review of Decision No. 71410 indicates that it does not support the Company's position.
20 Decision No. 71410 did not approve a lead of 11.25 days for Management expenses, but approved a
21 lead of 3.88 days for Management Expenses.¹⁸

22 Because there was no lead/lag study performed to establish the payment pattern of the affiliate
23 service provided, Staff does not recommend the 3.88 days allowed in Decision No. 71410. Staff
24

25

¹² Becker Direct (Ex. S-9) at 11.

26 ¹³ *Id.*

27 ¹⁴ Gutowski Rebuttal (Ex. A-18) at 10.

28 ¹⁵ *Id.* at 11.

¹⁶ Becker Surrebuttal (Ex. S-10) at 5; McMurry Surrebuttal (Ex. S-6) at 4.

¹⁷ *Id.*

¹⁸ Decision No. 71410 at 30-32.

1 recommends that the effects of the 14.77 lag days for Management expenses (the original lag days
2 requested by the Company) be excluded.¹⁹

3 **B. Utility Plant in Service (Sun City).**

4 Staff witness Becker requested that the Company address the addition of Plant 9 and Wells
5 9.2 and 9.3 in the Tierra Del Rio section of Sun City.²⁰ The Company requested the inclusion of
6 \$365,579 of plant cost for its Tierra Del Rio Project, water treatment Plant No. 9, Well No. 9.2 and
7 Well No. 9.3.²¹ Staff accepted the Company's adjustment.²²

8 **C. Post Test Year Plant (Sun City).**

9 The Company requested the inclusion in plant in service of Well 5.1. Sun City Water District
10 abandoned the old Well 5.1 in 2008 and retired this plant item in 2007.²³ To replace Well 5.1 the
11 Company installed a replacement well, which was drilled in May 2008 and placed into service in
12 December 2008. The well was in service at the time of Staff's inspection.²⁴ The Residential Utility
13 Consumer Office ("RUCO") excluded Well 5.1 as post test year plant. However, Staff witness
14 Dorothy Hains testified that Well 5.1 was in use and serving customers and that Staff considered
15 Well 5.1 to be used and useful.²⁵ Staff would recommend that the RUCO exclusion be rejected and
16 that Well 5.1 be included as plant in service.

17 **IV. OPERATING INCOME.**

18 **A. Bad Debt Expense (All Districts).**

19 Although both the Company and Staff agree that Bad Debt Expense should be normalized
20 based on the Company's three-year experience, the Company and Staff are unable to agree on the
21 actual amount of Bad Debt Expense that was included in the Company's original application. This
22 difference, in turn, results in different adjustments to Bad Debt Expense in all districts.²⁶ The
23
24

25 ¹⁹ Becker Surrebuttal (Ex. S-10) at 6; McMurry Surrebuttal (Ex. S-6) at 5.

26 ²⁰ Becker Direct (Ex. S-9) at 38.

²¹ Phase I, Tr. at 579:21-580:18; Ex. A-29.

²² Staff's Final Schedule, Sun City Water (errata).

²³ Hains Direct, Sun City Water District Engineering Report (Ex. S-7) at 13.

²⁴ *Id.*

²⁵ Phase I, Tr. at 766:14-25, 767:1-4.

²⁶ Becker Surrebuttal (Ex. S-10) at 6; McMurry Surrebuttal (Ex. S-6) at 5.

1 Company has calculated the Bad Debt Expense included in the Customer Accounting Expense based
2 on net write-offs without giving consideration to the accrued provision.

3 The Company's methodology is a departure from the two established methodologies for
4 treating uncollectible accounts.²⁷ The first method is the Direct Charge-Off method where
5 uncollectibles and any associated, subsequent recoveries are recorded directly, or "charged-off," to
6 Bad Debt Expense. The second method is the Allowance method where a company systematically
7 records expense to Bad Debt Expense with an offset to an Allowance for Doubtful Accounts. Unlike
8 the first method, under this method, the charge offs and any subsequent recoveries are then made to
9 the Allowance for Doubtful Accounts rather than to Bad Debt Expense. In the instant case, the
10 Company has adopted a kind of hybrid method whereby its charge-offs, as well as its systematic
11 provision for bad debts, are both reflected in the Bad Debt Expense of Customer Accounting
12 Expense. This practice has created confusion regarding the reasons for and the amounts of Bad Debt
13 Expense.²⁸

14 Staff would urge adoption of its adjustments for Bad Debt expense.

15 **B. Tank Maintenance Reserve (Sun City Water District).**

16 The Company is requesting a tank maintenance reserve for its Sun City Water District. Staff
17 agrees that well maintained tanks provide some long-term benefits for ratepayers.²⁹ Staff
18 recommends that the Company be authorized to include the costs associated with tank maintenance
19 as a normalized expense, rather than creating a "Tank Maintenance Reserve."³⁰ Staff recommends
20 \$362,000 of normalized expenses be included.³¹

21 **C. Fuel and Power and Chemical Adjustment (Sun City Water District).**

22 Sun City Water had water loss that was greater than what the Commission had adopted in the
23 Sun City Water's last rate case.³² As such, the cost of purchased power and fuel and chemicals used
24 to pump and treat water above the accepted threshold of 10 percent represent a burden to ratepayers
25

26 ²⁷ McMurry Surrebuttal (Ex. S-6) at 5-8.

27 ²⁸ McMurry Surrebuttal (Ex. S-6) at 8-9.

28 ²⁹ Phase I, Tr. at 815:20-24.

³⁰ Phase II, Tr. at 962:13-963:18.

³¹ *Id.*

³² See Decision No. 70209.

1 and does not provide a benefit to ratepayers.³³ Staff recommended a similar adjustment for the Water
2 Utility of Greater Tonopah, in a pending docket for the rate application for the Global Water
3 utilities.³⁴ In that matter, the Global Water utilities accepted the Staff adjustment. The
4 Recommended Opinion and Order was recently docketed and did not recommend against the
5 adjustment.³⁵

6 V. COST OF CAPITAL.

7 In its application, the Company proposed a cost of capital of not less than 8.54 percent.³⁶ The
8 Company stated that its cost of debt is 5.468 percent.³⁷ The requested capital structure was 45.15
9 percent equity and 58.85 percent debt, not including short-term debt.³⁸ The Company's initially
10 proposed cost of equity is 12.25 percent.³⁹

11 Staff proposed an overall rate of return of 7.2 percent.⁴⁰ Staff's recommended capital
12 structure consists of 38.86 percent equity and 61.14 percent debt.⁴¹ Staff's capital structure includes
13 short-term debt consistent with the Commission's past treatment.⁴² Staff recommends a cost of
14 equity 10.7 percent, which includes a 0.8 percent upward adjustment to reflect a higher financial risk
15 in the Company's overall capita structure compared to that of the sample companies used as Staff's
16 proxies.⁴³

17 Staff witness Juan Manrique testified that Staff used two market-based models to estimate the
18 cost of equity: the Discounted Cash Flow model and the Capital Asset Pricing Model.⁴⁴

19 In its Rebuttal testimony, Company witness Mr. Broderick accepted Staff's recommendations
20 on cost of capital.⁴⁵ Staff's recommendations are reasonable and should be adopted.

21
22

³³ Becker Direct (Ex. S-9) at 31-32.

³⁴ Direct Testimony of Crystal Brown at 22, Docket No. SW-020445A-09-0077 et al.

³⁵ See Recommended Opinion and Order (Global Water Utilities, Docket No. SW-020445A-09-0077, et al. at 30-33.

³⁶ Broderick Direct (Ex. A-6) at 8-10.

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ Manrique Direct (Ex. S-3) at 10.

⁴¹ *Id.* at 14.

⁴² See Decision No. 71410 at 41.

⁴³ Manrique Direct at 10.

⁴⁴ Manrique Direct (Ex. S-3) at 21; Tr. at 512:14-17.

⁴⁵ Broderick Rebuttal (Ex. A-7) at 4; Tr. at 490:3-7.

1 VI. OTHER ISSUES.

2 A. Allocation of the Northwest Valley Regional Water Reclamation Facility
3 between the Anthem/Agua Fria Wastewater District and the Sun City West
4 Wastewater District.

5 The Northwest Valley Regional Water Reclamation Facility ("Northwest Valley") treats
6 wastewater flows from both the Anthem/Agua Fria Wastewater District and the Sun City West
7 Wastewater District. In Decision No. 70209, the Company was ordered to allocate 68% of the
8 Northwest Valley plant costs to the Sun City West Wastewater District.⁴⁶ The Decision also ordered
9 that the Sun City West Wastewater District's allocation of the Northwest Valley would be revisited in
10 subsequent rate cases.

11 In Decision No. 70372, the Commission adopted Staff and the Company's recommendation
12 that 32 percent of the Northwest Valley plant costs be allocated to the Anthem/Agua Fria Wastewater
13 District.⁴⁷ The Commission indicated, however, that the allocation would be revisited in a future rate
14 case.

15 For the current allocation, Staff is recommending that 28% be allocated to Anthem/Agua Fria
16 Wastewater and 72 percent be allocated to Sun City West Wastewater. The Company and RUCO
17 agree. The Anthem Community Council ("Council") disagrees, recommending that only 16.5 percent
18 of the Northwest Valley plant costs be allocated to Anthem/Agua Fria.⁴⁸

19 According to Staff witness Dorothy Hains, using linear regression analysis, the Sun City West
20 Wastewater District could have approximately 15,055 customers by the end of 2013. In Staff's
21 analysis, Staff used the actual growth numbers as well as projected growth. Staff anticipates rapid
22 growth in the Northeast Agua Fria Area known as Corte Bella. Corte Bella lies within the Agua Fria
23 Wastewater District but because it is physically close to the Northwest Valley plant, the Northwest
24 Valley plant treats its flows. However, Staff could not perform linear regression analysis for the
25 Corte Bella portion of the service area, because there were not enough data points, Staff only had
26 growth numbers for 2007 and 2008.⁴⁹ For an established community like Sun City West, Staff had

27 ⁴⁶ Decision No. 70209 at 5.

28 ⁴⁷ Decision No. 70372 at 12.

⁴⁸ Neidlinger Surrebuttal (Ex. Anthem-3) at 6.

⁴⁹ Phase I, Tr. at 793:15-16.

1 sufficient data points, actual growth numbers for the years 2003-2008, to perform the linear
2 regression analysis. Using this projected growth Staff estimates that in 2013 customers in the area
3 service by Sun City West Wastewater will use 72 percent of the North Valley plant's treatment
4 capacity and the remaining 28 percent of capacity will be needed to serve customers located in the
5 Northeast Agua Fria Area ("NEAF").⁵⁰

6 The Council's witness, Dan Neidlinger, asserts that Staff has made a material error in its
7 growth calculation by using linear regression. Mr. Neidlinger states that Staff's projected 704 per
8 year customer growth rate was based on the assumption that there were no customers in the NEAF
9 service area at the end of 2004 and a 2816 customer increase over the five year period of 2005
10 through 2008. This is incorrect. According to Ms. Hains, Corte Bella was a new project and she did
11 not think that in 2005 there were any residents in Corte Bella.⁵¹ Ms. Hains states that the estimated
12 growth rate for Corte Bella is 554 connections for the years 2005-2008 and the estimated growth for
13 Sun City West is 14 connections.⁵²

14 Council witness Neidlinger testified that he did not perform a linear regression analysis and
15 asserts that Ms. Hains did not either.⁵³ While Ms. Hains did not perform a linear regression for the
16 Corte Bella area, she did perform such an analysis for Sun City West. Further Mr. Neidlinger
17 discounts the growth rates for 2005 and 2006 as being unrealistic and not representative of what is
18 going to happen in the area in the future.⁵⁴

19 Projecting growth is not an exact science. The Commission has accepted Staff's methods for
20 estimating growth. Staff's growth projections are more reflective of future growth. The allocation
21 recommended by Staff is reasonable and should be adopted.

22 **B. Glendale Interceptor (Sun City Wastewater District).**

23 Company witness Miles Kiger requested that the Commission grant the Company an
24 accounting order authorizing the deferral of capital improvement costs of \$917,000, the Company's
25 proportionate share, related to the 99th Avenue Interceptor project under the Glendale Sewage
26

50 Hains Direct, Sun City West Wastewater Engineering Report Ex. S-7) at 5.

51 Phase I, Tr. at 790:14-15.

52 Phase I, Hains Direct, Sun City West Wastewater Engineering Report (Ex. S-7) at 5, footnote 3.

53 Phase I, Tr. at 872:12-16.

54 Phase I, Tr. at 873:2-10.

1 Transportation Agreement.⁵⁵ The Company's rationale for requesting to defer these capital
2 improvement costs is that they are similar to the costs included in rate components 3 and 4 of the
3 Tolleson Agreement for which the Commission previously granted the Company an accounting
4 order.⁵⁶

5 Staff witness Gary McMurry testified that recording these costs as prescribed by the Uniform
6 System of Accounts ("USOA") and Generally Accepted Accounting Principles ("GAAP") does not
7 preclude the Company from cost recovery, i.e., capitalization provides for appropriate recovery of
8 these costs and that deferral is unnecessary.⁵⁷ Mr. McMurry further testified that deferral of these
9 costs is also inconsistent with the Commission's ultimate authorization of similar costs in a recent
10 decision for the Company's Sun City Wastewater District.⁵⁸ Staff recommends denial of the
11 Company's request. Staff further recommends inclusion of the replacement cost net of accumulated
12 depreciation in rate base since this replacement was performed primarily before, but also during and
13 shortly after the test year. The replacement cost should be depreciated using the authorized
14 depreciation rate for the plant account in which the replacement costs are recorded.

15 **C. Infrastructure Improvement Surcharge.**

16 The Company has proposed an "Infrastructure Improvement Surcharge" for Sun City Water.
17 The surcharge would be limited to the replacement of existing assets. The most common types of
18 assets that would be covered would be replacement mains, hydrants, meters, services, tanks and
19 booster stations.⁵⁹ Twice a year the Company would assess what assets were placed into service.
20 Using the most recently approved return on equity, depreciation rates, cost of debt, capital structure
21 and revenue gross up factors along with the estimated service life, the Company would calculate
22 depreciation expense. The Company would also calculate an appropriate return on these assets.⁶⁰
23 The total amount of the surcharge would be the return on and of these qualifying assets. The total
24
25

26 ⁵⁵ Kiger Rebuttal (Ex. A-14) at 2.

27 ⁵⁶ *Id.* at 2-3.

28 ⁵⁷ Phase II, Tr. at 970-971.

⁵⁸ Phase II, Tr. at 973.

⁵⁹ Buls Direct (Ex. A-5) at 4 (adopted by Paul Townsley).

⁶⁰ *Id.*

1 amount of the surcharge would be calculated as a percentage of the base revenue requirement from
2 the previous rate case.⁶¹

3 According to Mr. Townsley, this type of surcharge is used in other jurisdictions to replace
4 aged infrastructure.⁶² Mr. Townsley further testified that the NARUC water subcommittee has
5 endorsed this type of surcharge as a regulatory best practice.⁶³ Mr. Townsley also testified that the
6 surcharge would allow the Company to make prudent investments in replacing existing infrastructure
7 so that crises that are seen in other jurisdictions can be avoided and customers would not be faced
8 with large rate increases.⁶⁴

9 Staff is opposed to the surcharge. As Staff witness Jeffrey Michlik testified, ordinary
10 infrastructure improvements of the types contemplated by the Company should be handled in the
11 normal fashion through the inclusion in a rate case.⁶⁵ Mr. Michlik further testified that the Company
12 has not offered any reasons for its request of extraordinary treatment of ordinary improvements.⁶⁶

13 The Commission has approved surcharge mechanisms in circumstances such as the
14 imposition of arsenic treatment standards by the Environmental Protection Agency and such
15 compliance with the new federal standards would require significant investment by water
16 companies.⁶⁷ The Commission has reserved the use of these adjustment mechanisms to extraordinary
17 circumstances to mitigate the effect of uncontrollable price volatility or uncertainty in the market
18 place.⁶⁸

19 The Company has not demonstrated the extraordinary circumstances necessary to require the
20 use of a surcharge. The Company admits that the surcharge would cover routine investments in such
21 items as meters, mains, hydrants, service tanks and booster stations.⁶⁹ Although, Mr. Townsley
22 testified that the amount of the improvements warrant such treatment, the Company could not say
23 with certainty the amount that will be necessary to effect such improvements, although the Company

24 ⁶¹ Buls Direct (Ex. A-5) at 6.

25 ⁶² Phase II, Tr. at 352:9-11.

26 ⁶³ *Id.* at 15-17.

27 ⁶⁴ *Id.* at 18-22.

28 ⁶⁵ Michlik Direct (Ex. S-15) at 9.

⁶⁶ *Id.*

⁶⁷ See generally Decision No. 66400.

⁶⁸ Decision No. 68302 at 45-46.

⁶⁹ Phase II, Tr. at 433:20-25; 434:1.

1 has proposed a 10 percent cap.⁷⁰ Staff would urge the rejection of the Infrastructure Improvement
2 Surcharge.

3 **D. Facilities Hook Up Fee Tariff.**

4 Staff made several revisions to the Company's hook up fee tariff for Anthem/Agua Fria
5 Wastewater to include certain reporting requirements now required by the Commission and added
6 additional lateral fees.⁷¹ The Company accepted the modifications.⁷²

7 **VII. ANTHEM INFRASTRUCTURE AGREEMENT.**

8 Prior to the commencement of the evidentiary hearing, the Council filed a pre-hearing
9 memorandum alleging that the 1997 Agreement for the Villages at Desert Hills Water/Wastewater
10 Agreement between the Company and Pulte Corporation ("Infrastructure Agreement" or "Anthem
11 Agreement") constituted an evidence of indebtedness as contemplated by A.R.S. § 40-301 *et seq.* In
12 the alternative, the Council argues that the Infrastructure Agreement is a main extension agreement as
13 contemplated by A.A.C. R14-2-406. Because the Company failed to obtain Commission approval as
14 required by A.R.S.

15 § 40-302 and A.A.C. R14-2-406, the Council requests that the 2007 payment of \$3.1 million and the
16 2008 payment of \$20.2 million be excluded from rate base and receive no ratemaking recognition.
17 For the reasons stated below, the Council has not alleged a legally sound basis upon which to alter the
18 ratemaking treatment, which is in effect a request to disallow plant.

19 **A. Background.**

20 Under the Infrastructure Agreement, Pulte (formerly Del Webb) was to fund much of the
21 water and wastewater infrastructure, and Arizona-American would eventually have to refund Del
22 Webb's advanced funds in accordance with Exhibit B of the Agreement, with a large balloon
23 payment when build-out occurred.⁷³ Only after projects were completed and refunds made to Pulte,
24 did the plant become eligible for inclusion in rate base.⁷⁴

25
26

⁷⁰ Phase II, Tr. at 435:18-25, 436:1-5.

⁷¹ Hains Direct, Engineering Report for Agua Fria Wastewater (Ex. S-7) at 12.

⁷² Broderick Rebuttal (Ex. A-7) at 18.

⁷³ Exhibit A-16, Docket No. WS-01303A- 06-0403.

⁷⁴ *Id.*

1 In November and December of 2002, Arizona-American filed applications requesting rate
2 adjustments for the ten districts owned by Arizona-American with the Commission. The districts for
3 which applications were filed included Sun City West Water, Sun City West Wastewater, Sun City
4 Water, Sun City Wastewater, Mohave Water, Havasu Water, Anthem Water, Agua Fria Water,
5 Anthem/Agua Fria Wastewater, and Tubac Water. A refund payment was included in the rate filing.

6 There were several modifications to the Anthem Agreement over the course of build-out of
7 Anthem. The first modification to the Anthem Agreement was a Letter Agreement entered into on
8 November 24, 1998. In that Agreement, Del Webb (now Pulte) agreed in part to compensate Citizens
9 for the additional costs and reduced revenues resulting from the Commission's initial Certificate of
10 Convenience & Necessity ("CC&N") Order. In other words, Del Webb and Citizens (now Arizona-
11 American) had (prior to hearing) entered into an agreement regarding rates and other matters.
12 Because the terms of that agreement were not adopted in total, Del Webb agreed to provide additional
13 compensation to Citizens in recognition of the difference between what had been agreed to by the
14 Parties and what was eventually ordered by the Commission.

15 The second modification to the Anthem Agreement was by an Amendment ("First
16 Amendment") dated May 8, 2000. The purpose of that Agreement was to include the Jacka Parcel as
17 part of the Anthem Project.

18 The third modification to the Anthem Agreement (the "Second Amendment") was entered
19 into on September 1, 2000. That Amendment revised the Capacity Reservation Section 3.2 of the
20 Agreement and adjusted the ERU benchmarks due to the withdrawal of the Phoenix area and the
21 addition of the Jacka Parcel. It also addressed the effect of the Phoenix Agreement. It addressed
22 other matters as well; and contained a consent by Del Webb to the assignment by Citizens of their
23 rights and obligations under the Agreement to Anthem.

24 On September 27, 2001, Citizens, Arizona-American, Del Webb and Anthem Arizona LLC
25 entered into the Refund Coordination Agreement, which addressed the allocation of responsibilities
26 between Citizens (including Treatco and Distco) and Arizona-American. It also adopted a new
27 schedule for the calculation and allocation of refunds.

1 The fourth modification to the Anthem Agreement (the "Third Amendment") was entered into
2 on December 12, 2002. That Amendment revised the acre feet allocation under the Ak-Chin
3 Agreement and again recognized Arizona-American's substitution for Citizens in the Agreement.

4 The final modification to the Anthem Agreement (the "Fourth Amendment") was entered into
5 on or about October 8, 2007. The Agreement was intended to address Commission concerns and the
6 Company's financial circumstances by providing further rate relief to Anthem customers, utilizing
7 the following measures:

- 8 1. Pulte agreed to delay the final true-up payment by approximately six (6)
9 months;
- 10 2. Pulte agreed to reduce the total refundable developer advance by \$1.5 million;
and
- 11 3. Pulte agreed to defer for two years, without interest, twenty-five percent (25%)
12 of the true-up payment that would have been due upon build-out.

13 The Commission, in the Company's last case involving Anthem, found that it would revisit
14 the issue of the reasonableness of the Company's agreement to refund to Pulte almost all of the cost
15 required to construct Anthem's water infrastructure.⁷⁵

16 **B. The Infrastructure Agreement is not Evidence of Indebtedness as Contemplated**
by A.R.S. § 40-301 et seq.

17 A.R.S. § 40-301(A) requires public service corporations to seek prior Commission approval
18 before issuing stocks, bonds, notes or other evidence of indebtedness. The Council attempts to shoe-
19 horn the Infrastructure Agreement into the category of "evidence of indebtedness." The Council's
20 attempt does not work.

21 A.R.S. § 40-301 is entitled "Issuance of stocks and bonds; authorized purposes." While
22 headings are not law,⁷⁶ the title is indicative of the types of instruments the legislature intended to be
23 governed by this provision. The Infrastructure Agreement is not a stock or bond, but an agreement
24 that provides terms and conditions of service, as well as refund obligations. Taking the Council's
25 interpretation of A.R.S. § 40-301 *et seq.* to its logical conclusion would mean that any contract that a
26 utility enters into that requires the payment of money over a term would require prior Commission
27

28 ⁷⁵ Decision No. 70372 at 43.

⁷⁶ See A.R.S. § 1-212.

1 approval. One seriously doubts that the Legislature would require utilities to obtain prior approval
2 for such things as contracts for office furniture or computer services.

3 **C. The Infrastructure Agreement Is Much More Than a Main Extension Agreement**
4 **under A.A.C. R14-4-206?**

5 The Council argues, apparently in the alternative, that if the Infrastructure Agreement is not
6 “evidence of indebtedness,” then it is a main extension agreement. The Commission has treated the
7 Infrastructure Agreement somewhat like a main extension agreement, by treating the prior refund
8 payments as advances. However, the Commission has never approved the Infrastructure Agreement,
9 even though the Company has sought approval. Staff opined that the Infrastructure Agreement was
10 an agreement between private parties that did not require Commission approval or denial.⁷⁷

11 Under the Commission’s Main Extension rules, if a utility does not obtain Commission
12 approval, the remedy is to require a refund of all money advanced. Apparently, this is what has
13 occurred between the Company and Pulte, although the Company disputes the assertion that it is
14 refunding all of the money advanced to it by Pulte.⁷⁸ However, of significance, is the fact that the
15 rules do not require the disallowance of plant, which in this case has been found to be used and
16 useful. The Council’s requested remedy is harsh, inequitable and should be disregarded.

17 As discussed above, the Company did seek Commission approval of the various agreements
18 several times but because the agreements went well beyond the typical main extension agreement, the
19 Commission did not approve what amounted to private agreements between the parties. It would be
20 inequitable now to penalize the Company as the Council suggests for not obtaining approval of the
21 agreements, when it had sought such approval on several occasions. In addition, such drastic action
22 is not necessary since at the time that the original agreement came before the Commission for
23 approval, the Commission appeared to recognize the novelty of the arrangement between Citizens
24 and Pulte and left open the possibility of later scrutiny regarding the reasonableness of the
25 arrangement, in particular the balloon payment.⁷⁹

26
27 ⁷⁷ See Surrebuttal Testimony of Darron Carlson at 2, Docket No. WS-03454A-00-1022.

28 ⁷⁸ Phase I, Tr. at 419-420.

⁷⁹ Decision No. 70372 at 36-43.

1 It is Staff's position that all of the plant is used and useful and Staff has accordingly included
2 the plant in rate base. Several parties, however, believe that there is a degree of unfairness in asking
3 Anthem residents to bear the full amount of the balloon payment in rates at this time. As the
4 Company itself noted in its statement on this matter, if there is any issue presented regarding the
5 balloon payment it is one of reasonableness.⁸⁰ Staff is also mindful of the evidence in the record that
6 suggests that an agreement to refund the entire advance to Pulte may not have been typical of main
7 extension agreements entered into at that time and other evidence⁸¹ that suggests that the Anthem
8 build-out occurred much sooner than expected⁸² and thus there should be some recognition of these
9 facts when deciding upon new rates for the Company. Should the Commission desire to balance the
10 equities here, one way would be to give some recognition to these facts as well as others in the record
11 which question the reasonableness of the original build out projections and the agreement itself.

12 **VIII. RATE DESIGN ISSUES.**

13 The most significant issue relating to rate design in this case is whether the Commission
14 should approve some form of rate design consolidation in this case.

15 Staff witness Jeffrey M. Michlik presented Staff's recommendations on rate design for the
16 five water and wastewater districts at issue in this case. Mr. Michlik also presented Staff's proposals
17 on consolidation of the rate design for all or various districts of the Company.

18 Staff witness Michlik recommends stand-alone rates for all of the districts in this case.⁸³ Staff
19 does not support consolidation of the rate design for all or some of the Company's districts at this
20 time.

21 **A. The Commission Should Adopt Staff's Stand-Alone Rates for the Arizona** 22 **American Water and Wastewater Districts in this Case.**

23 There are no significant disputes between Staff, the Company and the other parties with
24 respect to Staff's proposed rate design except with respect to Anthem Wastewater.

27 ⁸⁰ Phase I, Tr. at 285-286.

⁸¹ Ex. S-2 (Arizona-American Board of Directors minutes)

28 ⁸² Ex. S-1 (Citizens Utilities – Villages at Desert Hills, proforma projections).

⁸³ Michlik Direct (Ex. S-15) at 3.

1 **1. Anthem Water District.**

2 The present monthly minimum charges vary by meter size.⁸⁴ No gallons are included in the
3 monthly minimum charge.⁸⁵ The Company currently has a three tier commodity rate structure for
4 residential customers and proposes no change except to rate levels.⁸⁶ The breakpoints are 1) zero to
5 4,000 gallons (\$1.5400 per thousand gallons); 4,001 to 10,000 gallons (\$2.4100 per thousand
6 gallons), and 3) over 10,000 gallons (\$3.08 per thousand gallons).⁸⁷ A two tier rate structure
7 currently exists for larger residential, commercial, industrial and construction commodity rates which
8 also vary by meter size 1) \$2.4100 per thousand gallons for the first tier and 2) \$3.0800 per thousand
9 gallons for any consumption over the first tier.⁸⁸ There is also a commodity rate for irrigation and
10 wholesale customers.

11 Staff and the Company's proposals with respect to rate design for the Anthem Water District
12 are similar in that both maintain the monthly minimum rate structure by meter size with zero gallons
13 included in the monthly minimum.⁸⁹ Both the Company and Staff's rate design proposals for the
14 standard 5/8 x 3/4-inch and 3/4-inch residential customer contain a 3-tier inverted commodity rate
15 structure although Staff has modified the breakpoints.⁹⁰ Staff has maintained the current two tier
16 structure for commodity rates for larger residential, commercial and industrial customers; although
17 the rate per thousand gallons has increased.⁹¹

18 The Council objects to several rate design changes of Staff including Staff's pricing of the
19 higher tiers of the rate structure in relationship to pricing for the first tier.⁹² The Council also objects
20 to Staff's proposed changes in tier break points for the larger meter sizes because of the size of the
21 increase that would result.⁹³ The Council appears to believe that since a cost of service study was not
22 performed and filed in this case, that no changes in the breakpoints is appropriate.⁹⁴ Yet Mr.

23 _____
24 ⁸⁴ Michlik Direct (Ex. S-15) at 4.

25 ⁸⁵ *Id.*

26 ⁸⁶ *Id.*

27 ⁸⁷ *Id.*

28 ⁸⁸ *Id.*

⁸⁹ Michlik Direct (Ex. S-15) at 4-5.

⁹⁰ *Id.*

⁹¹ *Id.*

⁹² Neidlinger Direct (Ex. Anthem-18) at 6.

⁹³ *Id.*

⁹⁴ *Id.*

1 Neidlinger among others has acknowledged that rates are not set based upon cost of service studies
2 alone; rather many factors go into the development of rates for any given service.⁹⁵

3 At the hearing, the ALJ asked Staff to prepare a stand-alone rate design for the Company's
4 districts that used five tiers instead of three. Staff has included a five tier rate design as part of its
5 final schedules.

6 Finally, Staff is recommending the elimination of the Capacity Reservation Charges CRC-1.⁹⁶
7 There were no CRC-1 revenues in the test year and no significant change is forecasted.⁹⁷

8 Much concern was expressed regarding the level of the rate increase for Anthem residents.
9 Many parties have characterized the increase that would result from inclusion of the balloon payment
10 in rate base as resulting in rate shock.⁹⁸ RUCO witness Moore recommended that, subject to the
11 Company's agreement, the rates be phased in over a period of three years.⁹⁹ Mr. Moore conditioned
12 this upon the Company's further agreement to forgo interest and/or lost revenue over this three year
13 period.¹⁰⁰ Mr. Moore submitted a late filed exhibit showing rate levels when phased in over a three
14 year period and the amount of revenue or interest that would have to be forgone over the three year
15 period.¹⁰¹ The Company has not agreed to forgo lost revenue or interest in conjunction with Mr.
16 Moore's proposal.

17 2. Anthem/Agua Fria Wastewater District.

18 The Company's Anthem/Agua Fria Wastewater District is the only wastewater district owned
19 by the Company in Arizona that has a volumetric charge incorporated into its residential rate
20 structure. The present monthly minimum charge for all residential customers is \$27.76 with a
21 volumetric charge of \$3.4800 per 1, 000 gallons up to 7,000.¹⁰² For the commercial customers, the
22 minimum charges and commodity charges vary by meter size.¹⁰³

23
24
25 ⁹⁵ Phase II, Tr. at 306:14-18.

26 ⁹⁶ Michlik Direct (Ex. S-15) at 9.

27 ⁹⁷ *Id.*

28 ⁹⁸ Michlik Direct (Ex. S-15) at 10.

⁹⁹ Michlik Direct. (Ex. S-15) at 11.

¹⁰⁰ Michlik Direct (Ex. S-15) at 10.

¹⁰¹ Michlik Direct (Ex. S-15) at 11.

¹⁰² *Id.*

¹⁰³ *Id.*

1 Staff is recommending that the Company change its method of billing its residential
2 customers for wastewater to the method currently used by some municipalities for wastewater
3 service.¹⁰⁴ Under this method, there would be no monthly minimum charges for residential
4 customers, and only a volumetric charge per 1,000 gallons would be assessed.¹⁰⁵ Under Staff's
5 recommendation, the Company would bill each individual residential customer based on the
6 customer's average water usage for the months of January, February, and March.¹⁰⁶ The customer's
7 billing would be reset every year based upon the customer's water usage for these three months at a
8 rate of \$9.5966 per 1,000 gallons.¹⁰⁷

9 Staff proposed this new rate design because during the summer months, customers typically
10 use more water for activities unrelated to the amount of wastewater used.¹⁰⁸ Thus Staff believes that
11 water usage during the winter months is a more accurate representation of the amount of wastewater
12 being discharged from the customer's home year-round and results in a more appropriate basis for the
13 charges.¹⁰⁹

14 Several parties including the Council and the Company oppose Staff's new rate design
15 proposal. Mr. Neidlinger, on behalf of the Council, states that the Commission should reject the
16 Staff's proposed change in wastewater rates for Anthem's residential customers because (1) winter
17 lawns are a requirement in Anthem, and (2) a large percentage of the water use in the months of
18 January through March is turf irrigation that never enters the wastewater collection system.¹¹⁰ While
19 the specifics of the winter lawn requirement was filed in the docket, there was no demonstration that
20 this requirement would increase the sewer bills of Anthem residents and to what extent.

21 The Council, on the other hand, recommends that residential customers be billed on a fixed
22 monthly charge for wastewater services. But Staff believes that this would be a step backwards with
23 respect to conservation since the current rate structure incorporates volumetric charges.

24
25

¹⁰⁴ Michlik Direct (Ex. S-15) at 12.

¹⁰⁵ *Id.* at 12.

¹⁰⁶ Michlik Direct at 11.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ Neidlinger Direct at 4.

1 Finally, the same issues regarding potential rate shock raised with respect to the proposed
2 increases for Anthem Water would also apply with respect to Anthem/Agua Fria Wastewater.

3 The Commission should adopt Staff's proposed rate design for Anthem Wastewater.

4 **3. Sun City Water District.**

5 The Company currently has monthly minimum charges by meter size.¹¹¹ Zero gallons are
6 included in the monthly minimum charge.¹¹² The Company and Staff both proposed increases to the
7 monthly minimum charges.¹¹³ The current rate structure incorporates a three tier residential
8 commodity rate structure for 5/8 x 3/4 inch and 3/4 inch customer: (1) zero to 3,000 gallons (\$0.7190
9 per thousand gallons), (2) 3,001 gallons to 10,000 gallons (\$1.3290 per thousand gallons) and (3)
10 over 10,000 gallons (\$1.6920 per thousand gallons). The Company as well as Staff propose
11 maintenance of the 3 tier inverted commodity rate structure for residential customers with 5/8 x 3/4-
12 inch and 3/4-inch meters, although Staff has modified the breakpoints of the tiers.¹¹⁴ For other meter
13 sizes, there would be two commodity rate tiers in the future as there are now.

14 At the hearing the ALJ requested that Staff submit a five tier rate structure for consideration
15 as well in this case. Staff filed a five tier rate structure as part of its final schedules in this docket.

16 Staff is not aware of any disagreements with respect to its proposed rate design for Sun City
17 Water.

18 **4. Sun City Wastewater District.**

19 Present monthly minimum charges vary by meter size.¹¹⁵ There are no residential volumetric
20 charges.¹¹⁶ For single- and multi-unit commercial customers there are both volumetric and monthly
21 minimum charges.¹¹⁷ Both the Company and Staff have proposed increases to the various rates in its
22 current rate structure but no change to the rate structure itself.¹¹⁸

25 ¹¹¹ Michlik Direct (Ex. S-15) at 7.

26 ¹¹² *Id.*

27 ¹¹³ *Id.*

28 ¹¹⁴ Michlik Direct (Ex. S-15) at 7.

¹¹⁵ Michlik Direct (Ex. S-15) at 8.

¹¹⁶ Michlik Direct (Ex. S-15) at 12.

¹¹⁷ *Id.*

¹¹⁸ *Id.*

1 Staff is not aware of any disputes regarding its proposed rate design for the Sun City
2 Wastewater District.

3 **5. Sun City West Wastewater District.**

4 The present monthly minimum charges vary by meter size and there is no residential
5 volumetric charge.¹¹⁹ The existing rate structure also incorporates monthly minimum charges and
6 volumetric rates for single and multi-unit commercial customers and for other commercial meter
7 sizes.¹²⁰

8 Staff and the Company propose increases to the various wastewater rates but no change to the
9 current rate design structure.¹²¹

10 Staff is not aware of any concerns regarding its proposed rate design for Sun City West
11 Wastewater.

12 **B. Staff Complied With The Commission's Directive to Put Forth a Consolidated
Rate Design for the Company.**

13 In Decision No. 71410, the Commission ordered Staff to put forth at least one consolidated
14 rate design for the Company.¹²² In response to the Commission's directive, the Staff witness Michlik
15 put forward three different consolidation scenarios. The Staff used the Company's rate consolidation
16 model to develop its various consolidated rate design scenarios.¹²³ Staff performed various trials
17 testing the formula links and calculations and found that the model itself was reliable.¹²⁴ Staff's three
18 consolidation proposals are as follows:

- 19 1) total consolidation of all of the Company's respective water and
20 wastewater districts in Arizona;
- 21 2) consolidation of the Company's Sun City and Sun City West water and
22 wastewater districts and all remaining districts under a separate
consolidation proposal; and
- 23 3) consolidation of 1) Sun City and Sun City West water districts; 2) the Agua
24 Fria, Anthem, and Paradise Valley water districts; and 3) the Tubac,
Mohave, and Havasu water districts.¹²⁵

25 ¹¹⁹ Michlik Direct (Ex. S-15) at 13.

26 ¹²⁰ *Id.* at 15.

27 ¹²¹ *Id.*

28 ¹²² Decision No. 71410 at 51.

¹²³ *Id.*

¹²⁴ *Id.* at 16.

¹²⁵ Michlik Direct (Ex. S-15) at 17.

1 Staff witness Abinah noted that the third consolidation proposal discussed above consolidates
2 the rates of the rural or outlying systems (Mohave, Lake Havasu, and Tubac); the Maricopa County
3 systems (Paradise Valley, Anthem, and Agua Fria, excluding the Sun Cities); and the Sun City and
4 Sun City West systems.¹²⁶

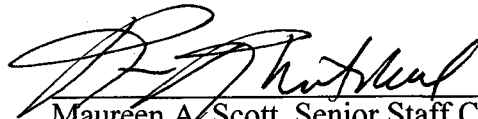
5 While the Company appears to favor statewide consolidation, the Staff is concerned by the
6 Company's failure to put forth a rate consolidation proposal in its Direct Testimony.¹²⁷ Because the
7 Company did not put forward any direct case, it did not address many of the factors set forth in the
8 testimony of Staff witness Abinah that should be considered with any consolidated rate design
9 proposal.¹²⁸ Mr. Abinah identified the following factors: (1) public health and safety; (2) proximity
10 and location; (3) economies of scale/rate case expense; (4) price shock/mitigation; (5) public policy
11 and (6) how other jurisdictions/municipalities are addressing the issue.¹²⁹

12 Staff is also concerned with the Company's failure to do any sort of quantifiable cost/benefit
13 analysis.¹³⁰ While Staff asked the Company in discovery to submit a cost/benefit analysis, Staff has
14 not had an opportunity to review what the Company ultimately filed.

15 **IX. CONCLUSION.**

16 Staff respectfully requests the Commission to adopt its recommendation in this proceeding.

17 RESPECTFULLY SUBMITTED this 16th day of July 2010.

18
19
20 
21 Maureen A. Scott, Senior Staff Counsel
22 Robin R. Mitchell, Attorney
23 Legal Division
24 Arizona Corporation Commission
25 1200 West Washington Street
26 Phoenix, Arizona 85007
27 (602) 542-3402

26 ¹²⁶ Abinah Direct (Ex. S-16) at 7.

27 ¹²⁷ *Id.* at 6-7.

28 ¹²⁸ *Id.*

¹²⁹ Abinah Direct (Ex. S-16) at 4-5.

¹³⁰ Phase II, Tr. at 1407:21-1408:1.

1 Original and thirteen (13) copies
2 of the foregoing filed this
16th day of July 2010 with:

3 Docket Control
4 Arizona Corporation Commission
1200 West Washington Street
5 Phoenix, Arizona 85007

6 Copies of the foregoing mailed this
16th day of July 2010 to:

7 Thomas H. Campbell
8 Michael T. Hallam
9 Lewis and Roca LLP
40 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
10 Attorneys for Arizona-American Water Co.

11 Judith M. Dworkin
12 Sacks Tierney PA
4250 North Drinkwater Blvd, 4th Floor
Scottsdale, Arizona 85251-3693
13 Attorney for Anthem Community Council

14 Daniel Pozefsky
15 Residential Utility Consumer Office
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007

16 Lawrence V. Robertson, Jr.
17 Post Office Box 1448
Tubac, Arizona 85646-1448
18 Attorney for Anthem Community Council

19 Larry Woods, President
Property Owners and Residents Association
13815 East Camino Del Sol
20 Sun City West, Arizona 85375

21 W.R. Hansen
12302 West Swallow Drive
22 Sun City West, Arizona 85375

23 Greg Patterson
24 916 West Adams, Suite 3
Phoenix, Arizona 85007
25 Attorney for WUAA

26 Bradley J. Herrema
Brownstein Hyatt Farber Schreck, LLP
21 East Carrillo Street
27 Santa Barbara, California 93101
28 Attorneys for Anthem Golf and Country Club

Jeff Crockett, Esq.
Robert Metli, Esq.
Snell & Wilmer LLP
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004-2202
Attorneys for the Resorts

Andrew M. Miller, Esq.
Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85253

Marshall Magruder
Post Office Box 1267
Tubac, Arizona 85646-1267

Norman D. James
Fennemore Craig, PC
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for DMB White Tank LLC

Larry D. Woods
15141 West Horseman Lane
Sun City West, Arizona 85375

Joan S. Burke, Esq.
Law Office of Joan S. Burke
1650 North First Avenue
Phoenix, Arizona 85003
Attorney for Corte Bella Golf Club
joan@jsburkelaw.com

Philip H. Cook
10122 West Signal Butte Circle
Sun City, Arizona 85373

Scottsdale Citizens for Sustainable Water
7322 East Cactus Wren Road
Scottsdale, Arizona 85250-4526

